

MEMORANDUM

NATIONAL SECURITY COUNCIL

INFORMATION

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March 10, 1972

MEMORANDUM FOR:

DR. KISSINGER

FROM:

HAROLD H. SAUNDERS
SAMUEL M. HOSKINSON

SUBJECT:

Aid to Pakistan

The following is intended to give you an idea of where we stand on the economic aid front for Pakistan and where we seem to be headed. The present game plan has two parts:

1. The Pakistan Consortium meeting earlier this month revealed that wide support has now developed among the donor countries for substantial short term debt relief in support of an economic reform program. A proposal for \$234 million in debt relief covering a portion of Pak payments due through the end of June 1973 was tabled and the formal responses of the donor governments are due March 20. AID favors this proposal since, among other things, it is tied to an equitable burden-sharing formula. Our share over the next fiscal year would be about \$60 million.
2. The debt rescheduling as now planned hinges on a substantial economic reform program by Bhutto. If agreement is reached by the end of the month on debt relief, the Paks would then--if Bhutto keeps his nerve--initiate a fiscal reform program, including a substantial devaluation in early April. The IMF is satisfied with the proposed Pakistani program and is prepared to support it with a sizable standby loan once the final decision on devaluation is made. It must be kept in mind that Bhutto is worried about the political repercussions of devaluation--rising prices--and it is not at all a foregone conclusion that he will go ahead as planned.

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If the program goes ahead, the next step would be another Consortium meeting in late April--this time on new commodity assistance and perhaps to give some preliminary indication about what we are prepared to do in FY 1973. They are thinking now about \$75 million for Pakistan in FY 1973 with a first tranche of \$25 million in July.

If Bhutto does not go ahead with his reform, we will have a quite different situation with much less international support. We could provide some support, but there is no point in worrying about how much until the present effort falters.

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